

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22nd July, 2004. The Company has established a place of business in Hong Kong at Unit 3701, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong and was registered on 26th April, 2005 as an oversea company in Hong Kong under Part XI of the Companies Ordinance. Mr. Au Kwok Lun of Flat 37D, Block 1, Le Somment, 28 Fortress Hill Road, North Point, Hong Kong has been appointed the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands laws and to its constitution which comprises the Memorandum and the Articles. A summary of certain relevant parts of the Company's constitution and certain relevant aspects of Cayman Islands company law and taxation are set out in Appendix IV to this prospectus.

2. Changes in share capital

As at the date of incorporation of the Company, its authorised share capital was HK\$100,000 divided into 10,000,000 Shares. On 22nd July, 2004, one nil-paid Share was allotted and issued to Mr. Au Kwok Lun, and was transferred to Kytronics Holdings on 10th May, 2005. On 10th May, 2005, 2,999,999 Share fully paid or credited as fully paid at par were issued to Kytronics Holdings and the one nil-paid Share was credited as fully paid. On 17th May, 2005, 89,000 Shares fully-paid or credited as fully paid were issued and allotted to LC Fund II.

Pursuant to the written resolutions of the Shareholders passed on 13th June, 2005, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000, by the creation of an additional 9,990,000,000 Shares. Assuming that the Share Offer becomes unconditional and the issue of the Offer Shares and the Shares pursuant to the Capitalisation Issue are made, but taking no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company will be HK\$5,000,000 divided into 500,000,000 Shares fully paid or credited as fully paid, with 9,500,000,000 Shares remaining unissued. Other than pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, or the exercise of the general mandate to issue shares referred to in the paragraph headed "Written resolutions of the Shareholders passed on 13th June, 2005", there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the Shareholders passed on 13th June, 2005

On 13th June, 2005, written resolutions of the Shareholders were passed pursuant to which, among other things:

- (a) the Company approved and adopted the Memorandum and the Articles;

- (b) the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000, by the creation of an additional 9,990,000,000 Shares each ranking pari passu in all respects with the existing Shares;
- (c) conditional on the same conditions as stated in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of Share Offer” herein:
- (i) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised;
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and
 - (iii) the Capitalisation Issue was approved and conditional further on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise an amount of HK\$3,719,110 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 371,911,000 Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 19th June, 2005 in proportion to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued Shares, and the Directors were authorised to give effect to such capitalisation and distribution;
- (d) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights, scrip dividend or an issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of the options which may be granted under the Share Option Scheme, any other option scheme or similar arrangement for the time being adopted for the grant or issue to the directors and/or employees of the Company and/or any of its subsidiaries and/or any other eligible participants of shares or rights to acquire Shares of the Company, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held; or
 - (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;

- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held; or
 - (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

4. Corporate Reorganisation

The companies comprising the Group underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange. As a result, the Company became the holding company of the Group. The major steps of the reorganisation involved the following:

- (a) On 16th April, 2004, Ying Mei Investment, a company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, was incorporated under the laws of the BVI and one share was allotted and issued to Kytronics Holdings credited as fully paid at par on 11 August 2004.
- (b) On 16th April, 2004, Kong Yue Investment, a company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, was incorporated under the laws of the BVI and one share was allotted and issued to Kytronics Holdings credited as fully paid at par on 11 August 2004.
- (c) On 26th April, 2004, Visionic Investment, a company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, was incorporated under the laws of the BVI and one share was allotted and issued to Kytronics Holdings credited as fully paid at par on 11 August 2004.

- (d) On 18th June, 2004, AUI was established in Japan with an authorised share capital of JPY40,000,000 divided into 800 shares of JPY50,000 each, of which 200 shares were issued to Kongyue Information.
- (e) On 30th September, 2004, Visionic Investment entered into a sale and purchase agreement with Visionic Pte. Limited in relation to the acquisition of a 65% interest in Phenix Digital at a cash consideration of RMB11.7 million.
- (f) On 6th October, 2004, Ying Mei Investment entered into a sale and purchase agreement with Dinomax (as trustee for and on behalf of the Au Family Shareholders) in relation to the acquisition of the entire interest in Kongyue Jolimark for RMB103,447,000 which was satisfied by the allotment and issue of 99 shares of US\$1.00 each in Ying Mei Investment to Kytronics Holdings credited as fully paid as directed by Dinomax.
- (g) On 6th October, 2004, Kong Yue Investment entered into a sale and purchase agreement with Dinomax (as trustee for and on behalf of the Au Family Shareholders) in relation to the acquisition of a 95% interest in Kongyue Information for RMB71,077,000 which was satisfied by the allotment and issue of 99 shares of US\$1.00 each in Kong Yue Investment to Kytronics Holdings credited as fully paid as directed by Dinomax.
- (h) On 24th February, 2005, Ying Mei Investment acquired the beneficial interest in 10,000 shares of HK\$1.00 each in the share capital of Jolimark Technology, representing the entire issued share capital of Jolimark Technology, of which the beneficial interest in 9,000 shares was transferred by Mr. Au Kwok Lun to Ying Mei Investment, and the beneficial interest in 1,000 shares was transferred by Mr. Ou Guo Liang to Ying Mei Investment at a consideration of HK\$7,050, which was satisfied by the allotment and issue of 100 shares of US\$1.00 each in Ying Mei Investment to Kytronics Holdings credited as fully paid as directed by Mr. Au Kwok Lun and Mr. Ou Guo Liang. Upon completion of the acquisition, Jolimark Technology was held as to 9,999 shares by Ying Mei Investment and as to 1 share by Mr. Au Kwok Lun (as trustee for Ying Mei Investment).
- (i) On 18th October, 2004, Xin Yue, a company with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, was incorporated in Hong Kong and one subscriber's share was transferred to Kong Yue Investment on 10 November, 2004 and one share was allotted and issued, credited as fully paid at par, to Mr. Au Kwok Lun (as trustee) for Kong Yue Investment, on 10 November, 2004.
- (j) On 10th May, 2005, the Company entered into a sale and purchase agreement with Kytronics Holdings in relation to the acquisition of the entire issued share capital in each of Ying Mei Investment, Kong Yue Investment and Visionic Investment at a consideration of RMB123,692,000, RMB88,059,000 and US\$1.00 respectively which were satisfied by the allotment and issue of 2,999,999 Shares to Kytronics Holdings credited as fully paid and crediting as fully paid up at par the then existing 1 nil-paid Share on capitalisation of an amount of HK\$0.01 standing to the credit of the share premium account of the Company.

5. Changes in the share capital of members of the Group

The Company's subsidiaries are referred to in the accountants' report for the Company, the text of which is set out in Appendix I to this prospectus. Apart from the major steps of the reorganisation as described above, the following alterations in the share capital of the subsidiaries of the Company have taken place within the two years preceding the date of this prospectus:

Kongyue Information

Effective from 27th March, 2003, the registered capital of Kongyue Information was increased from US\$8,860,000 to US\$9,080,000.

Kongyue Jolimark

Effective from 23rd September, 2004, the registered capital of Kongyue Jolimark was increased from HK\$5 million to HK\$61,600,000.

Jolimark Information

On 20th January, 2004, Jolimark Information was established under the laws of the PRC with a registered capital of RMB1,000,000 which was owned as to 85% by Kongyue Jolimark and as to 15% by Ou Guo Liang.

Effective on 21st May, 2004, Kongyue Jolimark acquired 10% equity interest in Jolimark Information from Ou Guo Liang for a consideration of RMB100,000.

Jolimark Tax

On 16th April, 2003, Jolimark Tax was established under the laws of the PRC with a registered capital of RMB500,000 which was owned as to 90% by Kongyue Jolimark and as to 10% by Ou Guo Liang.

Effective on 21st May, 2004, Kongyue Jolimark acquired 5% equity interest of Jolimark Tax from Ou Guo Liang for a consideration of RMB25,000.

Phenix Digital

On 25th February 2004, Phenix Digital was established under the laws of the PRC with a registered capital of RMB30,000,000 which was owned as to 65% by Visionic Pte. Limited and as to 35% by Phenix Optics.

Jolimark China

On 7th September, 2004, Jolimark China was established under the Laws of the PRC with a registered capital of RMB50 million which was wholly owned by Jolimark Technology.

6. Repurchase by the Company of its own securities

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders' approval*

The Listing Rules provide that all on-market repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchases.

Note: Pursuant to the written resolutions of the Shareholders passed on 13th June, 2005, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held; or (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

(b) *Maximum number of securities to be repurchased*

A maximum of 10 % of the issued share capital of the company as at the date of passing the relevant resolution may be repurchased on the Stock Exchange.

(c) *Subsequent issue of shares*

A company may not without the prior approval of the Stock Exchange issue new shares or announce a proposed new issue of securities for a period of 30 days immediately following a repurchase of securities, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase).

(d) *Trading restrictions*

A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a company from making securities repurchases on the Stock Exchange if the result of the repurchase would be that less than 25 % (or the prescribed minimum percentage for that company as determined by the Stock Exchange at the time of listing) of its issued share capital and/or outstanding warrants would be in public hands. A company shall not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) *Status of repurchased securities*

The Listing Rules require the listing of all repurchased securities to be automatically cancelled upon repurchase and the share and warrants certificates to be cancelled and destroyed. Under the Companies Law of the Cayman Islands, the securities repurchased will be treated as cancelled but the aggregate amount of the company's authorised share capital would not be reduced.

(f) *Suspension of repurchase*

The Listing Rules require any securities repurchase programme to be suspended after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ended on the date of the results announcement, the company may not repurchase securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit a securities repurchase programme on the Stock Exchange if a company breaches the Listing Rules.

(g) *Reporting requirements*

Under the Listing Rules, securities repurchases on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. on the following business day. In addition, the company's annual report is required to disclose information regarding securities repurchases made during the year including the number of securities repurchased each month, the purchase price per share/warrant and the aggregate price paid. A company shall procure that any broker appointed by the company to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

(h) *Connected parties*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his/her securities to the company. No connected persons (as defined in the Listing Rules) of the Company have notified it of a present intention to sell securities to the Company and no such persons have undertaken not to sell any such securities to the Company in the event that the Repurchase Mandate is granted by the Shareholders.

(i) *Exercise of Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately after the completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option), could accordingly result in up to 50,000,000 Shares, which are fully paid, being repurchased by the Company during the period until (i) the conclusion of the next annual general meeting of the

Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held; or (iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(j) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Directors to repurchase securities on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(k) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including profits of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles and subject to the Companies Law, out of capital of the Company.

(l) *Impact on repurchases*

There may be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or its gearing levels which in the opinion of the Directors is from time to time appropriate for the Company.

(m) *Share repurchases made by the Company*

No repurchase of Shares has been made by the Company since its incorporation.

(n) *General*

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, in the event that the Repurchase Mandate is granted by the Shareholders, to sell any Shares to the Company or its subsidiaries. The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate only in accordance with the Listing Rules and the laws of the Cayman Islands.

(o) *Takeovers Code*

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of the Shares.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 30th September, 2004 entered into between Visionic Investment and Visionic Pte. Limited whereby Visionic Investment acquired a 65% interest in Phenix Digital at a consideration of RMB11.7 million;
- (b) a sale and purchase agreement dated 6th October, 2004 entered into between Dinomax and Ying Mei Investment whereby Ying Mei Investment acquired the entire interest in Kongyue Jolimark at a consideration of RMB103,447,000;
- (c) a sale and purchase agreement dated 6th October, 2004 entered into between Dinomax and Kong Yue Investment whereby Kong Yue Investment acquired a 95% interest in Kongyue Information at a consideration of RMB71,077,000;
- (d) (i) two instruments of transfer both dated 24th February, 2005, whereby Mr. Au Kwok Lun and Mr. Ou Guo Liang transferred the legal interest of 9,999 shares in Jolimark Technology to Ying Mei Investment; and two sets of bought and sold notes both dated 24th February, 2005, whereby Mr. Au Kwok Lun and Mr. Ou Guo Liang transferred the beneficial interest of 10,000 shares in Jolimark Technology to Ying Mei Investment, at an aggregate consideration of HK\$7,050, which was satisfied by the allotment and issue of 100 shares of US\$1.00 each in Ying Mei Investment to credited as fully paid; and (ii) a declaration of trust dated 24th February, 2005 between Mr. Au Kwok Lun as trustee and Ying Mei Investment as beneficiary in respect of 1 share in Jolimark Technology;
- (e) a sale and purchase agreement dated 10th May, 2005 entered into between (amongst others) Kytronics Holdings and the Company, whereby the Company acquired the entire issued share capital in each of Ying Mei Investment, Kong Yue Investment and Visionic Investment at a consideration of RMB123,692,000, RMB88,059,000 and US\$1.00 respectively;
- (f) a subscription agreement dated 28th April, 2005 entered into between LC Fund II and the Company, whereby LC Fund II agreed to subscribe 89,000 Shares for US\$1,500,000;

- (g) a deed of indemnity dated 17th June, 2005 given by Kytronics Holdings and each of the Au Family Shareholders in favour of the Group under which each of Kytronics Holdings and the Au Family Shareholders has given certain indemnities in favour of the Group, among other things, the indemnities referred to in the sub-paragraph headed “Indemnities” under the paragraph headed “Other Information” in this Appendix;
- (h) the Placing Underwriting Agreement; and
- (i) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following trademarks:

Trademark	Place of registration	Class	Registration number	Validity period
Jolimark 映美	PRC	9	1598514	7th July, 2001 to 6th July, 2011
映美	PRC	9	1598516	7th July, 2001 to 6th July, 2011
Jolimark	PRC	9	1598515	7th July, 2001 to 6th July, 2011

(b) Patents

As at the Latest Practicable Date, the Group was the registered owner of the following design patent:

Name of patent	Registered owner	Patent number	Validity period
液晶顯示器 (LCD monitor)	Kongyue Jolimark	ZL02360068.3	14th August, 2002 to 13th August, 2012
打印機紙張 檢測裝置 (Printer paper sorting device)	Kongyue Jolimark	ZL02250755.8	25th December, 2002 to 24th December, 2012

As at the Latest Practicable Date, the Group had applied for registration of the following patents:

Name of patent	Name of applicant	Application number	Application date
打印機 (Printer)	Kongyue Jolimark	02149770.2	24th December, 2002
打印機 (Printer)	Kongyue Jolimark	02151793.2	31st December, 2002
打印機 (Printer)	Kongyue Jolimark	02151792.4	31st December, 2002
稅控收款機 (Tax control ECR)	Kongyue Jolimark	03274772.1	24th September, 2003

(c) *Domain Names*

As at the Latest Practicable Date, the Group was the registered owner of the following domain names:

Domain name	Registration date
www.jolimark.com.cn	27th September, 2001

The contents at the above websites do not form part of this prospectus.

(d) *Copyrights*

As at the Latest Practicable Date, the Group was the registered owner of the following copyrights:

Name of copyright	Name of registered owner	Registration Number	Date of first publication
TIP-210 稅控發票機應用軟件 (tax control receipt application software) V3.0	Kongyue Information	2004SR04772	1st March, 2004
映美稅控發票打印管理系統 (Jolimark tax control receipt printing management system) V3.2	Kongyue Information	2004SR04774	1st March, 2004
BB-610 稅控器應用軟件 (tax control device application software) V2.0	Kongyue Information	2004SR04771	1st March, 2004
ECR-680 稅控收款機應用軟件 (tax control ECR application software) V4.01	Kongyue Information	2004SR04773	1st March, 2004

The validity period of the copyright in software owned by a legal person shall be 50 years, ended on 31st December of the 50th year after the first publication of the software.

Save as disclosed herein, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the Group's business.

3. Further information about the Group's enterprises in the PRC

As at the Latest Practicable Date, the Group had established the following enterprises in the PRC. A summary of the principal corporate information is as follows:

(a) Name:	Xinhui Kong Yue Electronic Information Industry Ltd.* (新會江裕信息產業有限公司)
Date of Incorporation:	11th December, 1998
Registered Office	Jiangmen City, Xinhui District Jinguzhou Economic Development Zone, 18 Jiangyue Road (江門市新會區今古洲經濟開發區江裕路18號)
Registered capital:	US\$9,080,000 (fully paid up)
Shareholder(s):	Kong Yue Investment — 95% Jiangmen Information — 5%
Directors:	Mr. Au Mr. Au Kwok Lun Mr. Ou Bo Chou Mr. Ou Guo Liang
Scope of business activities:	Development, manufacture, sales and services of new electronic primary device (containing piece type primary device (片式元器件)), electric circuits surface mounting (電路表面貼裝), printer series products, digital projectors, cashier machines (including tax control ECR, monetary tax control ECRs and POS), liquid-crystal display and their related external computerising facilities, electronic information products and numeric frequency (數字音), mail folder insertion machines, electronic white boards, video decoding facilities and other computer softwares; agency sales and services of other companies' information electronic products (except restricted types of products)
(b) Name:	Shanghai Qijie Jolimark Technology Development Ltd.* (上海奇杰科技發展有限公司)
Date of Incorporation:	13th May, 1999
Registered Office	Youyi Road No. 699, Shanghai (上海市友誼路699號)
Registered capital:	RMB3,000,000 (fully paid up)

Shareholders:	Mr. Zhang Qi — 58% Mr. Li Si Min — 10% Mr. Gao Hui Ling — 22% Kongyue Jolimark — 10%
Directors:	Mr. Au Kwok Lun Mr. Zhang Qi Mr. Li Si Min Mr. Gao Hui Ling Mr. Gu Xiu Ting Mr. Chen Xue Zhu Mr. Lai Ming
Scope of business activities:	Automatic engineering, computer, provision of technical services in the specialised domain of water electricity mechanical devices, development of product manufacture and sales and related business activities; electronic components, electronic calculators and primary components, communicating facilities, 自動化儀表 facilities, intelligent controlling facilities, mechanical facilities and the wholesales and retailing of the same.
(c) Name:	Jiangmen Kong Yue Jolimark Information Technology Ltd.* (江門江裕映美信息科技有限公司)
Date of Incorporation:	22nd March, 2001
Registered Office	Jiangmen City, Xinhui District Jinguzhou Economic Development Zone, 18 Jiangyue Road (江門市新會區今古洲經濟開發區江裕路18號)
Registered capital:	HK\$61,600,000 (fully paid up)
Shareholder(s):	Ying Mei Investment Limited — 100%
Directors:	Mr. Au Kwok Lun Mr. Ou Guo Liang Mr. Ou Bo Chou
Scope of business activities:	Research and development, manufacture and sales of information electronic products such as printer products, integrated circuit, tax control products, cash registers (including tax control cash registers, POS, LCD monitors and computer software products); agency sales and services of other companies' information electronic products (except restricted types of products)

- (d) Name: Shenzhen Jolimark Business Appliances Ltd.*
(深圳映美商業設備有限公司)
- Date of Incorporation: 26th February, 2002
- Registered Office: Shenzhen City, Luohu District, Jianshe Road
No. 1072, Dongfang Plaza Room 2408–2410
(深圳市羅湖區建設路1072號東方廣場2408–2410室)
- Registered capital: RMB3,000,000 (fully paid up)
- Shareholders: Kongyue Jolimark — 75%
Kongyue Information — 25%
- Directors: Mr. Ou Bo Chou
Mr. Ou Guo Liang
Mr. Rao Zi Neng
- Scope of business activities: Research and development of tax control facilities,
automatic commercial facilities, integrated circuits and
commercial software system
- (e) Name: Jiangmen Kong Yue Jolimark Tax Control Services Ltd.*
(江門市江裕映美稅控服務有限公司)
- Date of Incorporation: 16th April, 2003
- Registered Office: Jiangmen City, Nonglin Xincun No. 13 Ground Floor
(江門市農林新村13號地下)
- Registered capital: RMB500,000 (fully paid up)
- Shareholders: Kongyue Jolimark — 95%
Mr. Ou Guo Liang — 5%
- Directors: Mr. Ou Guo Liang
- Scope of business activities: Sales and maintenance of tax control products (including
cash registers, POS, printers), development and sales of
computer software (excluding electronic publication
products), computer system integration engineering
- (f) Name: Jiangmen Jolimark Information System Engineering Ltd.*
(江門市映美信息系統工程有限公司)
- Date of Incorporation: 20th January, 2004
- Registered Office: Jiangmen City, 12 Nong Lin Heng Road, ground floor
(江門市農林橫路12號首層)

Registered capital:	RMB1,000,000 (fully paid up)
Shareholders:	Kongyue Jolimark — 95% Mr. Ou Guo Liang — 5%
Director:	Mr. Au Kwok Lun
Scope of business activities:	Sales and maintenance of computers, printers and business equipment, development and sales of computer software (excluding electronic publication products), network connection projects and system integration engineering.
(g) Name:	Guangdong Jolimark Technology Services Ltd.* (廣東映美科技服務有限公司)
Date of Incorporation:	24th February, 2004
Registered Office	Guangzhou City, Tianhe District, 248 Wushan Road Jinshan Tower, 12/F, Room 01-04 (廣州市天河區五山路248號金山大廈12樓01-04室)
Registered capital:	RMB5,000,000 (fully paid up)
Shareholders:	Kongyue Jolimark — 10% Guangzhou Auction — 90%
Directors:	Mr. Zuo Ding Qiang Mr. Zheng Cong Long Mr. Au Kwok Lun
Scope of business activities:	Technological development of computer network and software, sales of integrated systems, technological services and the above self-manufactured products; technological development of electronic products and tax control devices.
(h) Name:	Phenix Digital Technology (Shanghai) Ltd.* (上海鳳凰數碼科技有限公司)
Date of Incorporation:	25th February, 2004
Registered Office	864 Zhongshanbei Road No. 1403, Shanghai (上海市中山北路864號1403號)
Registered capital:	RMB30,000,000 (fully paid up as to RMB18,000,000, the balance will be paid before 30th June, 2005)
Shareholders:	Visionic Investment — 65% Phenix Optics — 35%

- Directors: Mr. Yeo Choon Tat
Mr. Au Kwok Lun
Mr. Zhang Tao
Mr. Miao Jian Xin
Mr. Long Hua Lin
- Scope of business activities: Development, manufacturing and distribution of digital display products
- (i) Name: Beijing Stone Business Stone Information Technology Ltd.*
(北京四通商用信息技術有限公司)
- Date of Incorporation: 2nd March 2004
- Registered Office Beijing Haidian District, 56, Mid Zhichun Road
Tianli Building 2nd and 4th Floors
(北京海澱區知春路56號中段天利大廈二、四層)
- Registered capital: RMB18,900,000 (fully paid up)
- Shareholders: Kongyue Information — 20%
Beijing Stone Computer Limited* (北京四通電腦有限公司)
— 80%
- Directors: Mr. Au Kwok Lun
Mr. Yeo Choon Tat
Mr. Lin Yong Chun
Mr. Zhang Di Sheng
Mr. Luo Ai Ping
Mr. Liu Yong
- Scope of business activities: Manufacture of information facilities and system, commercial, tax control, financial tools and application systems; computer software and hardware and outer facilities, network products, communication facilities and integrated circuits
- (j) Name: Suzhou Jolimark Information Technology Ltd.*
(蘇州映美信息科技有限公司)
- Date of Incorporation: 27th May, 2004
- Registered Office Suzhou Industrial Park District
Loufeng Sub-district Dongxing Road No. 18
(蘇州工業園區樓葑分區東興路18號)
- Registered capital: RMB2,000,000 (fully paid up)

Shareholders:	Kongyue Jolimark — 10% Mr. Du Wen Chao — 50% Mr. Li Wei — 40%
Directors:	Mr. Du Wen Chao
Scope of business activities:	Development and sales of printers, integrated circuits, electronic products and computer software.
(k) Name:	Jolimark Information Technology (China) Limited* (映美信息科技(中國)有限公司)
Date of Incorporation:	7th September, 2004
Registered Office:	Beijing Haidian District, 68 North Sihuan Road, Shaunqiao Building Rooms 915-922 (北京市海澱區北四環西路68號雙橋大廈915-922室)
Registered capital:	RMB50,000,000 (fully paid up as to RMB7,485,621.78)
Shareholder:	Jolimark Technology
Directors:	Mr. Au Mr. Au Kwok Lun Mr. Ou Suo Liang
Scope of business activities:	Development and manufacturing of printer products, ECRs, tax control equipment, computer external devices, computer software and electronic products; provision of installation, testing, repairing, technology consultation and technology services; sale of self-produced products
(l) Name:	Shanghai Liang Biao Business Appliances Ltd.* (上海良標商用設備有限公司)
Date of Incorporation:	2nd July, 2004
Registered Office:	6th Floor, No. 5, 5 Yi Shan Lu, Shanghai City (上海市宜山路825號5號樓6層)
Registered capital:	RMB2,000,000 (fully paid up)
Shareholders:	Kongyue Jolimark — 35% Shanghai Liang Biao Intellectual Terminus Shares Limited* (上海良標智能終端股份有限公司) — 40% Shanghai Duxun Electronic Technology Limited* (上海敦勛電子科技有限公司) — 25%

Directors:	Mr. Dong Yi Ling Mr. Liu Chong Min Mr. Zhang Fan Mr. Au Kwok Lun Mr. Yuan Dong Yu
Scope of business activities:	Design, manufacture and sales of digital tax control equipment and related facilities, related supplemental engineering system and services, design, manufacture, sales and services of intelligent facilities and related products (except restricted types of products)
(m) Name:	Heibei Sheng Hong Jolimark Technology Limited* (河北晟宏映美科技有限公司)
Date of Incorporation:	6th September, 2004
Registered Office:	Rm 305, District B, Block 16, Shi Jia Zhuang Shi Xin Shi Bei Lu, Heibei Province (河北省石家莊市新石北路368號6號樓B區305室)
Registered capital:	RMB500,000 (fully paid up)
Shareholders:	Kongyue Jolimark — 10% Shijiazhuang Sheng Hong Kemao Limited* (石家莊晟宏科技有限公司) — 90%
Directors:	Mr. Cao Xiang Ling Mr. Yang Yan Rong Mr. Au Kwok Lun
Scope of business activities:	Development, manufacture and sales of digital tax control equipment, printers, softwares, computers, projectors and related facilities, technical consultancy, services, after-sales maintenance and services; development of network technology, system consolidation (excluding restricted types of products which require specific approvals under the laws and regulations)

The Company has been advised by its PRC legal adviser that the registered capital of each of the above PRC members of the Group, except Phenix Digital and Jolimark China, has been fully paid up in a timely manner and the activities of all of the above PRC Group members are within their scope of business.

* *English translation name for identification purpose only*

C. FURTHER INFORMATION ABOUT THE DIRECTORS, SENIOR MANAGEMENT AND STAFF

1. Disclosure of interests

(a) *Interests and short positions of the Directors and chief executives of the Company*

Immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of the Shares which may be taken up pursuant to the Share Offer and the Shares to be issued pursuant to the exercise of the Over-allotment Option), the interests and/or short positions of the Directors and chief executives of the Company in the share capital, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken, or deemed to have taken under such provisions) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to the Model Code of Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows:

Name of Director	Company/name of associated corporation	Capacity	Name and class of securities (Note 1)
Mr. Au	Company	Interest in controlled corporation (Note 2)	364,195,533 Shares (L)
Mr. Au	Company	Interest in controlled corporation (Note 2)	18,750,000 Share (S)
Mr. Au	Kytronics Holdings	Beneficial owner	2 ordinary shares (Note 3) (L)
Mr. Au Kwok Lun	Kytronics Holdings	Beneficial owner	1 ordinary share (L)
Mr. Ou Guo Liang	Kytronics Holdings	Beneficial owner	1 ordinary share (L)

Notes:

- The letter “L” denotes the Director’s long position in such securities and the letter “S” denotes the Director’s short position in such securities.
- 364,195,533 Shares will be owned by Kytronics Holdings immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be taken up pursuant to the Share Offer and the Shares to be issued pursuant to the exercise of the Over-allotment Option). The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these Shares by virtue of his interests in Kytronics Holdings pursuant to Part XV of the SFO. Kytronics Holdings has entered into the Stock Borrowing Agreement with Kingsway Financial pursuant to which Kytronics Holdings agreed to lend up to 18,750,000 Shares to Kingsway Financial.
- Each of Mr. Au and his spouse, Ms. Tai Noi Kit is the beneficial owner of an ordinary share in Kytronics Holdings.

(b) *Interests and short positions of substantial shareholders*

Immediately following completion of the Share Offer and the Capitalisation Issue, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware (but taking no account of the Shares which may be taken up pursuant to the Share Offer and the Shares to be issued pursuant to the exercise of the Over-allotment Option), the following persons (not being a Director or a chief executive of the Company) will have an interest and/or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the SFO:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding (Note 1)
Kytronics Holdings	Beneficial owner	364,195,533 Shares (L)	72.84%
		18,750,000 Shares (S)	3.75%
Ms. Tai Noi Kit	Interest in controlled corporation (Note 2)	364,195,533 Shares (L)	72.84%
		18,750,000 Shares (S)	3.75%

Notes:

- The letter “L” denotes the person’s long position in such securities and the letter “S” denotes the Director’s short position in such securities.
- 364,195,533 Shares will be owned by Kytronics Holdings immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be taken up pursuant to the Share Offer and the Shares to be issued pursuant to the exercise of the Over-allotment Option). The issued share capital of Kytronics Holdings is owned as to 20% by each of Ms. Tai Noi Kit and her spouse Mr. Au. Ms. Tai is therefore deemed to be interested in these Shares by virtue of her interests in Kytronics Holdings pursuant to Part XV of the SFO. Kytronics Holdings has entered into the Stock Borrowing Agreement with Kingsway Financial pursuant to which Kytronics Holdings agreed to lend up to 18,750,000 Shares to Kingsway Financial.

(c) *Interest in members of the Group other than the Company*

The following persons will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group other than the Company following the completion of the Share Offer and the Capitalisation Issue:

Name	Name of the Group member	Capacity	Approximate percentage of shareholding
Phenix Optics	Phenix Digital	Beneficial owner	35%

2. Particulars of service contracts

Each of the executive Directors has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date with a fixed term of one year. Each of the executive Directors is entitled to the respective basic salaries set out below (subject to an annual increment after each completed year of service at the rate to be determined at the sole and absolute discretion of the Board). In addition, a discretionary bonus as the Board may in its absolute discretion determine having regard to the performance of the executive Director and the operating results of the Group in respect of the financial year of the Company in question. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him. Furthermore, the executive Directors are entitled to all reasonable medical expenses as provided under the Group's medical benefits scheme and an accident insurance coverage. In addition, the executive Directors may, at the sole and absolute discretion of the Board, be eligible to participate in any share option schemes from time to time adopted by the Company in accordance with the terms and conditions of such share option schemes. Each of Mr Au, Mr Au Kwok Lun and Mr Ou Guo Liang will be entitled to use a company car, and a property owned by or let to the Group as staff quarters which is, in the opinion of the Board, suitable to his position, or be reimbursed the rent actually paid by him and other related outgoings and payments including rates, government rents, utilities and management fees (if any). Each of Mr Au, Mr Au Kwok Lun and Mr Ou Guo Liang will also be entitled to a sum of not more than HK\$10,000 per month as education allowance for his children under the age of 18.

The current basic annual salaries of the executive Directors are as follows:

Name	Amount (HK\$)
Mr Au	800,000
Mr Au Kwok Lun	1,000,000
Mr Ou Guo Liang	500,000
Mr Ng Shu Kai	442,000

The independent non-executive Directors have been appointed for an initial term of 3 years commencing from the Listing Date with a fixed term of one year. The Company intends to pay a director's fee of HK\$240,000, HK\$120,000 and HK\$120,000 respectively per annum to Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao. Save for the Director's fees, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation).

3. Directors' remuneration

- (a) An aggregate of approximately RMB223,000 (approximately HK\$210,000) was paid to the Directors as remuneration for the year ended 31st December, 2004. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.

- (b) It is expected that an aggregate sum of approximately HK\$1.7 million will be paid to the Directors as remuneration by the Group in respect of the year ending 31st December, 2005 pursuant to the present arrangement excluding discretionary bonus, if any.

4. Personal guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

5. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors nor chief executive of the Company has any interest, any long or short positions in Shares and underlying Shares, listed or unlisted derivatives of, or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or deemed to have taken under such provisions) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed;
- (b) save as disclosed in the paragraph headed “Particulars of service contracts” above, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between the Directors and any member of the Group;
- (c) none of the Directors nor any of the experts named in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other Information” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of the Group;
- (e) taking no account of the Shares which may be taken up pursuant to the Share Offer and the Shares to be issued (pursuant to the exercise of the Over-allotment option), the Directors are not aware of any person who will immediately following completion of the Share Offer

and the Capitalisation Issue be directly or indirectly interested in 10% or more of the Shares then in issue or equity interest in any member of the Group representing 10% or more of the equity interest in such company;

- (f) none of the experts named in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other Information” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (g) so far as is known to the Directors, none of the Directors, their respective associates (as defined in the Listing Rules) nor Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved and adopted by the written resolutions of the Shareholders passed on 13th June, 2005.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any employees (full-time and part-time) of the Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its Subsidiaries;

who, at the sole determination of the Board, have contributed or will contribute to the Group.

(the “Eligible Participants”)

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option), being 50,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this shall result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall confirm to the Board in writing that the adjustment is in compliance with 17.03(13) of the Listing Rules and the note thereto in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, subdivision or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding and cancelled options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Company proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5,000,000, based on the closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting and;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) Restrictions on the times of grant of Options

A grant of options may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspaper. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of the results for any year, or half-year, or quarterly or and other interim period (whether or not required under the Listing Rules) under the listing agreement, and ended on the date of actual publication of the results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) Performance target

A grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment/death

- (a) If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries by any reason other than his own resignation (including his death) and none of the events which would be a ground for termination of his or her employment specified in the Share Option Scheme arises, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.
- (b) If the grantee of an option ceases to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his or her employment specified in the Share Option Scheme arises, the grantee or his or her personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

(l) Rights on dismissal

If the grantee of an Option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of cessation of his employment.

(m) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of

which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an option shall not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue, save that they shall not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling before the date of issue.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial adviser shall confirm to the Board in writing that the adjustment is in compliance with Rule 17.03(13) of the Listing Rules and the note thereto.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not

greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m) or (n);
- (iii) subject to paragraph (n), the date of commencement of the winding-up of the Company;
- (iv) subject to paragraph (o), the date on which the scheme of arrangement of the Company becomes effective;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with the Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) Condition of the Share Option Scheme

The Share Option Scheme is conditional on, inter alia, the Listing Committee granting approval of the Share Option Scheme and any options which may be granted which may be granted thereunder and the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme.

(x) Disclosure in annual and interim reports

The Company will disclose details of the Share Option Scheme in its annual and interim reports in compliance with the Listing Rules in force from time to time.

(y) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of and permission to deal in the 50,000,000 Shares, representing 10% of the number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued upon exercise of the Over-allotment Option), which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Indemnities**

Each of Kytronics Holdings and the Au Family Shareholders has pursuant to a deed of indemnity referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further Information about the business of the Group” in this Appendix, given indemnities to the Group in connection with, among other things, any taxation which might be payable by any member of the Group in respect of any incomes, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional. Each of Kytronics Holdings and the Au Family Shareholders has also pursuant to the deed of indemnity referred to above, given indemnities to the Group in connection with, among other things, any estate duty which is or becomes payable by any member of the Group by the operation of any estate duty in the PRC, Hong Kong, Japan, the Cayman Islands, the British Virgin Islands or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the date on which the Share Offer becomes unconditional, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring.

Industrial Park, Jiangmen Palace Hotel, Dinomax and Jiangmen Information have pursuant to the deed of indemnity dated 30th September, 2004, given indemnities to the Group in connection with any loss and damages which might be incurred by the Group in respect of the advances made by the Group as referred to in the paragraph headed “Advances to and from related parties” in the section headed “Financial Information” of this prospectus.

2. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

3. Address for services of process and notices

Mr. Au Kwok Lun has been nominated as the authorised representative to accept service of process and notices of the Company. The address for service of process and notices is Flat 37D, Block 1, Le Somment, 28 Fortress Hill Road, North Point, Hong Kong.

4. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee for the listing of, and permission to deal in the Shares in issue and to be issued as mentioned herein, any Shares that may be issued as described in this prospectus (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options which may be granted under the Share Option Scheme).

5. Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK\$117,000 and are payable by the Company.

6. Promoter

The promoter of the Company is Mr. Au. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given within two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transaction as mentioned in this prospectus.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Kingsway Capital Limited	a licensed corporation under the SFO
PricewaterhouseCoopers	Certified public accountants
DTZ Debenham Tie Leung Limited	Professional property valuer
Appleby Spurling Hunter	Cayman Islands attorney-at-law
King & Wood	PRC lawyers

8. Consents of experts

Each of Kingsway Capital Limited, PricewaterhouseCoopers, DTZ Debenham Tie Leung Limited, Appleby Spurling Hunter and King & Wood has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance of Hong Kong so far as applicable.

10. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iii) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) no founder, management shares or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (v) there has been no material adverse change in the financial position or prospects of the Group since 31st December, 2004 (being the date to which the latest audited consolidated financial statements of the Group were made up).
- (b) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (c) The register of members of the Company will be maintained by Computershare Hong Kong Investor Services Limited. All transfers and other documents of title of Shares must be lodged for registration with and registered by, the Company's Hong Kong branch share registrar and transfer office.